

**SELMA TOWNSHIP, WEXFORD COUNTY**

**CADILLAC, MICHIGAN**

**JUNE 30, 2008**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

JUNE 30, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

October 30, 2008

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Selma Township  
Wexford County  
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Township, Wexford County, Cadillac, Michigan, as of June 30, 2008, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through x and budgetary comparison information on pages 27-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Selma Township, Wexford County, Cadillac, Michigan's basic financial statements. The combined and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Selma Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Selma Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2008, along with specific comparative information as required.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,201,244. Of this amount, \$911,007 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,101,894 an increase of \$348,126 in comparison with the prior year. \$485,796 is available for spending at the Township's discretion.
- ◆ The business-type activities ended the year with net assets of \$611,568, a decrease of \$31,344 from the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

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CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

### **Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township were \$2,201,244 at June 30, 2008, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

**Selma Township**  
**Net Assets as of June 30,**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current Assets	\$ 1,123,150	\$ 787,047	\$ 90,079	\$ 80,957	\$ 1,213,229	\$ 868,004
Non Current Assets						
Capital Assets	1,147,411	1,145,478	1,221,644	1,221,644	2,369,055	2,367,122
Less: Accumulated Depreciation	589,565	525,800	684,122	659,689	1,273,687	1,185,489
Total Non Current Assets	557,846	619,678	537,522	561,955	1,095,368	1,181,633
<b>Total Assets</b>	<b>\$ 1,680,996</b>	<b>\$ 1,406,725</b>	<b>\$ 627,601</b>	<b>\$ 642,912</b>	<b>\$ 2,308,597</b>	<b>\$ 2,049,637</b>
<b>Liabilities</b>						
Current Liabilities	\$ 46,644	\$ 49,023	\$ 16,033	\$ 0	\$ 62,677	\$ 49,023
Long-Term Liabilities	44,676	89,351	0	0	44,676	89,351
Total Liabilities	91,320	138,374	16,033	0	107,353	138,374
<b>Net Assets</b>						
Invested in Capital Assets						
Net of Related Debt	468,495	485,652	537,522	561,955	1,006,017	1,047,607
Restricted	284,220	209,022	0	0	284,220	209,022
Unrestricted	836,961	573,677	74,046	80,957	911,007	654,634
<b>Total Net Assets</b>	<b>1,589,676</b>	<b>1,268,351</b>	<b>611,568</b>	<b>642,912</b>	<b>2,201,244</b>	<b>1,911,263</b>
<b>Total Liabilities</b>						
<b>and Net Assets</b>	<b>\$ 1,680,996</b>	<b>\$ 1,406,725</b>	<b>\$ 627,601</b>	<b>\$ 642,912</b>	<b>\$ 2,308,597</b>	<b>\$ 2,049,637</b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the assets. The Township has \$911,007 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

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CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$289,981 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Selma Township Change in Net Assets for the Fiscal Year Ended June 30,						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 13,986	\$ 14,346	\$ 41,766	\$ 84,880	\$ 55,752	\$ 99,226
Operating Grants and Contributions	341,916	30,069	0	0	341,916	30,069
<b>General Revenues</b>						
Taxes	156,122	147,283	0	0	156,122	147,283
State Grants	132,004	128,807	0	0	132,004	128,807
Interest Earnings	19,525	30,465	0	0	19,525	30,465
Other	1,485	492	0	0	1,485	492
<b>Total Revenues</b>	665,038	351,462	41,766	84,880	706,804	436,342
<b><u>Expenses</u></b>						
Legislative	7,889	6,688	0	0	7,889	6,688
General Government	113,392	110,557	0	0	113,392	110,557
Public Safety	84,068	75,549	0	0	84,068	75,549
Public Works	12,164	12,146	0	0	12,164	12,146
Culture and Recreation	92,663	33,234	0	0	92,663	33,234
Other Functions	28,980	29,060	0	0	28,980	29,060
Debt Service	4,557	5,987	0	0	4,557	5,987
Sewer	0	0	73,110	105,648	73,110	105,648
<b>Total Expenses</b>	343,713	273,221	73,110	105,648	416,823	378,869
Changes in Net Assets	321,325	78,241	(31,344)	(20,768)	289,981	57,473
<b><u>NET ASSETS</u></b> - Beginning of Year	1,268,351	1,190,110	642,912	663,680	1,911,263	1,853,790
<b><u>NET ASSETS</u></b> - End of Year	\$ 1,589,676	\$ 1,268,351	\$ 611,568	\$ 642,912	\$ 2,201,244	\$ 1,911,263



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**Governmental Activities**

During the fiscal year ended June 30, 2008, the Township's net assets increased by \$321,325 in the governmental funds. The majority of this increase represents the \$257,375 of excess sewer revenues, originally collected from Selma Township residents, which the Wexford County Department of Public Works contributed to the Township to use for future capital improvements to the sewer system.

A significant part of the revenue for all governmental activities of Selma Township comes from taxes.

The Township levied millages for operating, road improvement and fire protection this fiscal year. The Township levied 0.7286 mills for operating purposes, 0.9563 mills for road improvement, and 0.4562 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$113,392. Culture and Recreation represented the next largest expense at \$92,663 followed by Public Safety at \$84,068.

**Business-Type Activities**

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. Beginning January 1, 2008, the Township entered into a new agreement with the Wexford County Department of Public Works for operation and maintenance of the sewer system.

Sewer operations experienced a \$31,344 decrease in net assets. This is due mainly to the deduction for depreciation expense on the capital assets.

The Sewer Fund is the Township's only Business-Type activity.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Selma Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Selma Township's governmental funds reported combined ending fund balances of \$1,101,894. Of this total amount \$555,304 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**General Fund** – The General Fund increased its fund balance by \$4,942 which brings the fund balance to \$498,629. Of the General Fund's fund balance, \$485,627 is unreserved while \$4,995 is reserved for prepaid expenditures and \$8,007 is reserved for Telecommunications Right of Way. Tax revenues increased by \$2,206. State grant revenues increased by \$3,240 from the prior year.

**Fire Fund** – The Fire Fund increased its fund balance by \$39,864 which brings the fund balance to \$116,118. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2007 tax roll. This resulted in \$33,194 in tax related revenues during the current fiscal year.

**Road Improvement Fund** – The Road Improvement Fund increased its fund balance by \$32,646 which brings the fund balance to \$157,747. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2007 tax roll. Tax related revenues totaled \$69,596 for the current fiscal year. The Township is not obligated under any contracts of the Road Commission as of June 30, 2008.

**Sugar Bush Road Improvement Fund** – The Sugar Bush Road Improvement Fund increased its fund balance by \$800 which brings the fund balance to \$2,033. The balance is reserved and must be used for road improvements.

**CFP / 32 Road Improvement Fund** – The CFP / 32 Road Improvement Fund increased its fund balance by \$195 which brings the fund balance to \$169.

**Lake Improvement Fund** – The Lake Improvement Fund had no change in its fund balance. The fund balance is zero.

The Township received \$81,191 in special assessment revenue for the current fiscal year.

**Sewer Capital Improvement Fund** – The Sewer Capital Improvement Fund increased its fund balance by \$257,375, which brings the fund balance to \$257,375. The only source of revenue for the Sewer Capital Improvement Fund was a one-time contribution from the Wexford County Department of Public Works for \$257,375 as a result of a new Sewer Agreement beginning January 1, 2008.

**Proprietary Fund** The Township's proprietary fund provides the same information as the government-wide statements.

**Sewer Fund** – The Sewer Fund ended the fiscal year with a decrease in net assets of \$31,344. This is due largely to the deduction of depreciation expense on the Fund's capital assets. The unrestricted net assets decreased by \$6,911. Net assets invested in capital assets decreased by the amount of the depreciation deduction or \$24,433. Despite the decrease in net assets, the Fund is still in stable condition.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of June 30, 2008, amounted to \$1,095,368 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$300 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

<b>Selma Township</b>						
<b>Capital Assets as of June 30,</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Land and Land Improvements	\$ 86,729	\$ 86,729	\$ 0	\$ 0	\$ 86,729	\$ 86,729
Buildings and Improvements	228,366	228,366	0	0	228,366	228,366
Improvements other than buildings	0	0	1,221,644	1,221,644	1,221,644	1,221,644
Equipment, Furniture, Vehicles	608,940	607,007	0	0	608,940	607,007
Infrastructure	223,376	223,376	0	0	223,376	223,376
	1,147,411	1,145,478	1,221,644	1,221,644	2,369,055	2,367,122
Less Accumulated depreciation	589,565	525,800	684,122	659,689	1,273,687	1,185,489
<b>Net Capital Assets</b>	<b>\$ 557,846</b>	<b>\$ 619,678</b>	<b>\$ 537,522</b>	<b>\$ 561,955</b>	<b>\$ 1,095,368</b>	<b>\$ 1,181,633</b>

Major capital asset events during the current fiscal year included the following:

- ◆ Purchased a rescue saw that amounted to \$928.
- ◆ Purchased turnout gear in the amount of \$1,005.

**Long-Term Debt**

At the end of the current fiscal year, the Township had total bonded debt outstanding of \$89,351 for the cost of paving various roads. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

SELMA TOWNSHIP, WEXFORD COUNTY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Selma Township at 4101 S. 35 Road, Cadillac, Michigan 49601.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>CURRENT ASSETS</u>			
Cash	\$ 794,158	\$ 90,079	\$ 884,237
Receivables			
Accounts	3,458	0	3,458
Special Assessments	19,287	0	19,287
Due from Other Governments	299,851	0	299,851
External Parties (Fiduciary Funds)	1,401	0	1,401
Prepaid Expenses	4,995	0	4,995
Total Current Assets	1,123,150	90,079	1,213,229
<u>CAPITAL ASSETS</u>			
Land and Land Improvements	86,729	0	86,729
Buildings and Improvements	228,366	0	228,366
Improvements Other Than Buildings	0	1,221,644	1,221,644
Machinery and Equipment	608,940	0	608,940
Infrastructure	223,376	0	223,376
	1,147,411	1,221,644	2,369,055
Less Accumulated Depreciation	589,565	684,122	1,273,687
Net Capital Assets	557,846	537,522	1,095,368
TOTAL ASSETS	1,680,996	627,601	2,308,597
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	1,969	16,033	18,002
Current Portion of Long-Term Debt	44,675	0	44,675
Total Current Liabilities	46,644	16,033	62,677
<u>LONG-TERM LIABILITIES</u>			
Special Assessment Bonds (Net of Current Portion)	44,676	0	44,676
TOTAL LIABILITIES	91,320	16,033	107,353
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	468,495	537,522	1,006,017
Restricted for Specific Purposes	284,220	0	284,220
Unrestricted	836,961	74,046	911,007
TOTAL NET ASSETS	\$ 1,589,676	\$ 611,568	\$ 2,201,244

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 7,889	\$ 0	\$ 0	\$ 0	\$ (7,889)	\$ 0	\$ (7,889)
General Government	113,392	13,986	0	0	(99,406)	0	(99,406)
Public Safety	84,068	0	440	0	(83,628)	0	(83,628)
Public Works	12,164	0	260,285	0	248,121	0	248,121
Culture and Recreation	92,663	0	81,191	0	(11,472)	0	(11,472)
Other Functions	28,980	0	0	0	(28,980)	0	(28,980)
Debt Service	4,557	0	0	0	(4,557)	0	(4,557)
Total Governmental Activities	343,713	13,986	341,916	0	12,189	0	12,189
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	73,110	41,766	0	0	0	(31,344)	(31,344)
TOTAL	\$ 416,823	\$ 55,752	\$ 341,916	\$ 0	12,189	(31,344)	(19,155)
<u>GENERAL REVENUES</u>							
Taxes					156,122	0	156,122
State Grants					132,004	0	132,004
Interest Earnings					19,525	0	19,525
Other					1,485	0	1,485
Total General Revenues					309,136	0	309,136
Change in Net Assets					321,325	(31,344)	289,981
<u>NET ASSETS</u> - Beginning of Year					1,268,351	642,912	1,911,263
<u>NET ASSETS</u> - End of Year					\$ 1,589,676	\$ 611,568	\$ 2,201,244

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	LAKE IMPROVEMENT FUND
<u>ASSETS</u>				
Cash	\$ 448,268	\$ 116,118	\$ 157,772	\$ 0
Accounts Receivable	3,458	0	0	0
Due from Other Funds	1,401	0	0	0
Due from Other Governments	42,476	0	0	0
Special Assessments Receivable	0	0	0	0
Prepaid Expenditures	4,995	0	0	0
TOTAL ASSETS	<u>\$ 500,598</u>	<u>\$ 116,118</u>	<u>\$ 157,772</u>	<u>\$ 0</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,969	\$ 0	\$ 0	\$ 0
Deferred Revenue	0	0	0	0
Due to Other Funds	0	0	25	0
TOTAL LIABILITIES	<u>1,969</u>	<u>0</u>	<u>25</u>	<u>0</u>
<u>FUND BALANCE</u>				
Reserved for:				
Prepaid Expenditures	4,995	0	0	0
Telecommunications Right of Way Maintenance	8,007	0	0	0
Fire Protection	0	116,118	0	0
Road Improvements	0	0	157,747	0
Sewer Capital Improvements	0	0	0	0
Liquor Law Enforcement	0	0	0	0
Unreserved:				
Designated For:				
Cemetery	0	0	0	0
Public Improvements	0	0	0	0
Undesignated	485,627	0	0	0
Total Fund Balance	<u>498,629</u>	<u>116,118</u>	<u>157,747</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 500,598</u>	<u>\$ 116,118</u>	<u>\$ 157,772</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

SEWER CAPITAL IMPROVEMENT FUND	SUGAR BUSH ROAD IMPROVEMENT FUND	CFP / 32 ROAD IMPROVEMENT FUND	NONMAJOR FUNDS	TOTALS
\$ 0	\$ 2,033	\$ 144	\$ 69,823	\$ 794,158
0	0	0	0	3,458
0	0	25	0	1,426
257,375	0	0	0	299,851
0	9,009	10,278	0	19,287
0	0	0	0	4,995
<u>\$ 257,375</u>	<u>\$ 11,042</u>	<u>\$ 10,447</u>	<u>\$ 69,823</u>	<u>\$ 1,123,175</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,969
0	9,009	10,278	0	19,287
0	0	0	0	25
<u>0</u>	<u>9,009</u>	<u>10,278</u>	<u>0</u>	<u>21,281</u>
0	0	0	0	4,995
0	0	0	0	8,007
0	0	0	0	116,118
0	2,033	0	0	159,780
257,375	0	0	0	257,375
0	0	0	315	315
0	0	0	4,378	4,378
0	0	0	65,130	65,130
0	0	169	0	485,796
<u>257,375</u>	<u>2,033</u>	<u>169</u>	<u>69,823</u>	<u>1,101,894</u>
<u>\$ 257,375</u>	<u>\$ 11,042</u>	<u>\$ 10,447</u>	<u>\$ 69,823</u>	<u>\$ 1,123,175</u>

The accompanying notes are an integral part of the financial statements.



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total Fund Balances for Governmental Funds	\$ 1,101,894
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	\$ 40,370	
Land Improvements	46,359	
Buildings and Improvements	228,366	
Machinery and Equipment	608,940	
Infrastructure	223,376	
Accumulated Depreciation	<u>(589,565)</u>	557,846

Other long-term assets are not available to pay for current period  
expenditures and therefore are not reported in the funds.

Special Assessment Receivables	19,287
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds.

Special Assessment Bonds Payable	<u>(89,351)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,589,676</u></u>
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The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	LAKE IMPROVEMENT FUND
<u>REVENUES</u>				
Taxes	\$ 53,332	\$ 33,194	\$ 69,596	\$ 0
Licenses and Permits	5,934	0	0	0
State Grants	134,914	0	0	0
Contributions from Local Units	0	0	0	0
Charges for Services	6,783	0	0	0
Interest and Rents	13,342	1,488	3,444	0
Other Revenues	1,303	182	0	81,191
Total Revenues	215,608	34,864	73,040	81,191
<u>EXPENDITURES</u>				
Legislative	7,889	0	0	0
General Government	99,200	0	0	0
Public Safety	47,130	0	0	0
Public Works	995	0	0	0
Culture and Recreation	11,472	0	0	81,191
Other Functions	28,980	0	0	0
Debt Service	0	0	40,394	0
Total Expenditures	195,666	0	40,394	81,191
Excess (Deficiency) of Revenues Over Expenditures	19,942	34,864	32,646	0
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	5,000	0	0
Transfers Out	(15,000)	0	0	0
Total Other Financing Sources (Uses)	(15,000)	5,000	0	0
Net Change in Fund Balance	4,942	39,864	32,646	0
<u>FUND BALANCE</u> - Beginning of Year - (Deficit)	493,687	76,254	125,101	0
<u>FUND BALANCE</u> - End of Year	\$ 498,629	\$ 116,118	\$ 157,747	\$ 0

The accompanying notes are an integral part of the financial statements.

SEWER CAPITAL IMPROVEMENT FUND	SUGAR BUSH ROAD IMPROVEMENT FUND	CFP / 32 ROAD IMPROVEMENT FUND	NONMAJOR FUNDS	TOTALS
\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,122
0	0	0	0	5,934
0	0	0	440	135,354
257,375	0	0	0	257,375
0	0	0	1,250	8,033
0	109	61	1,081	19,525
0	4,524	5,139	0	92,339
257,375	4,633	5,200	2,771	674,682
0	0	0	0	7,889
0	0	0	0	99,200
0	0	0	467	47,597
0	0	0	0	995
0	0	0	0	92,663
0	0	0	0	28,980
0	3,833	5,005	0	49,232
0	3,833	5,005	467	326,556
257,375	800	195	2,304	348,126
0	0	0	10,000	15,000
0	0	0	0	(15,000)
0	0	0	10,000	0
257,375	800	195	12,304	348,126
0	1,233	(26)	57,519	753,768
\$ 257,375	\$ 2,033	\$ 169	\$ 69,823	\$ 1,101,894

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 348,126
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(63,765)
Capital Outlay	1,933

Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	44,675
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Under the modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.

Deferred Revenue - Beginning of Year	(28,931)
Deferred Revenue - End of Year	<u>19,287</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 321,325</u>
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The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 90,079
<u>CAPITAL ASSETS</u>	
Improvements in Sewer System	1,221,644
Less Accumulated Depreciation	<u>684,122</u>
Net Capital Assets	<u>537,522</u>
TOTAL ASSETS	<u><u>\$ 627,601</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 16,033</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	537,522
Unrestricted	<u>74,046</u>
Total Net Assets	<u>611,568</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 627,601</u></u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$        41,766</u>
<u>OPERATING EXPENSES</u>	
Contracted Services	40,622
Miscellaneous	8,055
Depreciation	<u>24,433</u>
 Total Operating Expenses	 <u>73,110</u>
 Change in Net Assets	 (31,344)
<u>NET ASSETS</u> - Beginning of Year	<u>642,912</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$        611,568</u></u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2008

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 67,976
Cash Payments to Suppliers for Goods and Services	<u>(32,644)</u>
Net Cash Provided by Operating Activities	35,332
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>54,747</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 90,079</u></u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (31,344)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	24,433
(Increase) Decrease in Current Assets	
Accounts Receivable	26,210
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>16,033</u>
Total Adjustments	<u>66,676</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 35,332</u></u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	<u>AGENCY</u>
<u>ASSETS</u>	
Due From Other Governments	\$ 1,516
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Cash (technical bank overdraft)	\$ 115
Due to Other Funds	1,401
Total Liabilities	1,516
<u>NET ASSETS</u>	0
TOTAL LIABILITIES AND NET ASSETS	\$ 1,516

The accompanying notes are an integral part of the financial statements.



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Selma Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Selma Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

The *Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

The *Sugar Bush Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

The *CFP / 32 Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for lake improvements.

The *Sewer Capital Improvement Fund* accounts for revenue sources that are reserved for expenditures for repair, replacement, capital improvement, extension, and continuation of the sewer system. The source of revenue for this fund originates from a one-time contribution from the Wexford County Department of Public Works of excess Selma Township sewer user fees.

Selma Township reports the following major proprietary funds:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Clam Lake Township and Cherry Grove Township.

Additionally Selma Township reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Selma Township Board at the Board's organizational meeting after each regular election of board members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).
- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, two-thirds of county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Selma Township totaled \$72,770,453, on which ad valorem taxes levied consisted of 0.7286 mills for Selma Township operating purposes, 0.9563 mills for the Selma Township road improvements, and 0.4562 mills for Selma Township fire protection. These levies raised approximately \$52,808 for operating purposes and \$69,533 for road improvements, and \$33,164 for fire protection.

***3. Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost, after June 30, 2003, of more than \$300 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land Improvements	20
Public domain infrastructure	20
System infrastructure	30
Vehicles	5
Equipment and Furniture	5-10

**5. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**6. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 30, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Major Funds with Expenditures in Excess of Appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Treasurer	\$ 32,450	\$	34,212

This overage was a result of a year end journal entry and was funded by available fund balance.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits and investments are all on deposit with Citizens Bank in Cadillac, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$748,684 of the government's bank balance of \$949,835 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**B. Receivables**

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	General	Sewer Capital Improvement	Sugar Bush Road Improvement	CFP / 32 Road Improvement	Total
Receivables					
Due from Other					
Governments	\$ 42,476	\$ 257,375	\$ 0	\$ 0	\$299,851
Accounts	3,458	0	0	0	3,458
Special Assessments					
Receivable	0	0	9,009	10,278	19,287
	<u>\$ 45,934</u>	<u>\$ 257,375</u>	<u>\$ 9,009</u>	<u>\$ 10,278</u>	<u>\$322,596</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Special assessment receivables (Special Revenue Funds)	\$ 19,287	\$ 0

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 40,370	\$ 0	\$ 0	\$ 40,370
Capital assets, being depreciated				
Buildings and Improvements	228,366	0	0	228,366
Land Improvements	46,359	0	0	46,359
Machinery and equipment	607,007	1,933	0	608,940
Infrastructure	223,376	0	0	223,376
Total capital assets, being depreciated	1,105,108	1,933	0	1,107,041
Less accumulated depreciation for:				
Buildings and Improvements	122,962	4,578	0	127,540
Land Improvements	22,481	2,006	0	24,487
Machinery and equipment	369,188	46,012	0	415,200
Infrastructure	11,169	11,169	0	22,338
Total accumulated depreciation	525,800	63,765	0	589,565
Total capital assets, being depreciated, net	579,308	(61,832)	0	517,476
Governmental activities capital assets, net	\$ 619,678	\$ (61,832)	\$ 0	\$ 557,846

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 1,221,644	\$ 0	\$ 0	\$ 1,221,644
Less accumulated depreciation for:				
Improvements other than buildings	659,689	24,433	0	684,122
Business-type activities capital assets, net	\$ 561,955	\$ (24,433)	\$ 0	\$ 537,522

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 14,192
Public Safety	38,404
Public Works	11,169
Total depreciation expense - governmental activities	<u>\$ 63,765</u>

Business-type activities:

Sewer	<u>\$ 24,433</u>
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SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Construction Commitments:

The Township has no outstanding construction commitments as of June 30, 2008.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at June 30, 2008, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,401	\$ 0
Special Revenue Funds		
Road Improvement	0	25
CFP/32 Road Improvement	25	0
Agency Fund		
Current Tax Collection Fund	0	1,401
	<u>\$ 1,426</u>	<u>\$ 1,426</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

For the year ended June 30, 2008, the following interfund transfers were made:

<u>FUND</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 15,000
Special Revenue Funds		
Fire	5,000	0
CFP/32 Road Improvement	10,000	0
	<u>\$ 15,000</u>	<u>\$ 15,000</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**E. Long-Term Debt**

The following is a summary of the long-term transactions of the Township of Selma for the year ended June 30, 2008:

	<u>BONDS PAYABLE</u>
Long-Term Debt Payable	
At July 1, 2007	\$ 134,026
New Debt Incurred	0
Payments on Debt	<u>(44,675)</u>
At June 30, 2008	<u><u>\$ 89,351</u></u>

Debt payable at June 30, 2008, consisted of the following:

Bonds Payable

\$34,062 bond payable, due in annual installments of \$7,051 to \$7,282 through June 25, 2010; interest at 3.45 to 3.50 percent	\$ 13,625
\$171,924 bond payable, due in annual installments of \$35,588 to \$36,757 through June 25, 2010; interest at 3.45 to 3.50 percent	68,770
\$17,391 bond payable, due in annual installments of \$3,600 to \$3,718 through June 25, 2010; interest at 3.45 to 3.50 percent	<u>6,956</u>
	<u><u>\$ 89,351</u></u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2008, including interest payments of \$4,646 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2009	\$ 44,675	\$ 3,083	\$ 47,758
2010	44,676	1,563	46,239
	<u><u>\$ 89,351</u></u>	<u><u>\$ 4,646</u></u>	<u><u>\$ 93,997</u></u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses.

These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Prepaid Expenditures	\$ 4,995	
Telecommunications Right of Way Maintenance	<u>8,007</u>	\$ 13,002

Special Revenue Funds

Fire Fund

Fire Protection	116,118	
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Liquor Law Enforcement Fund

Liquor Law Enforcement	315	
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Road Improvement Fund

Road Improvements	157,747	
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Sugar Bush Road Improvement Fund

Road Improvements	<u>2,033</u>	276,213
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Capital Projects Fund

Sewer Capital Improvement Fund

Sewer Capital Improvements		257,375
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Unreserved-Designated

Special Revenue Funds

Cemetery Fund

Cemetery	4,378	
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Improvement Revolving Fund

Public Improvements	<u>65,130</u>	<u>69,508</u>
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TOTAL FUND BALANCE

RESERVATIONS AND DESIGNATIONS		<u>\$ 616,098</u>
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SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Sewer Fund**

The Township is participating with Clam Lake and Cherry Grove Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was being financed through state and federal grants and the sale of special assessment bonds. The total estimated cost of the project is \$2,605,674. Selma Township's original share of this project is 46.884% (\$1,221,644). This amount has been capitalized as an asset in the Sewer Fund. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

**C. Lake Improvement Fund**

The Township has joined with Cherry Grove Township and the City of Cadillac to establish a Lake Improvement Board for the purpose of improving Lake Mitchell. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Selma Township and the City of Cadillac send the collected assessments to Cherry Grove Township who has been designated by the Lake Improvement Board to maintain the records for the Lake Improvements.

**D. Sale of Future Revenues**

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Wexford County treasurer. For the 2007 tax roll the District received a lump sum payment of \$4,487 for general operating tax revenues, \$5,962 for road improvements and \$2,843 for fire protection. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 47,008	\$ 47,008	\$ 53,332	\$ 30,000	\$ 30,000	\$ 33,194
Licenses and Permits	0	0	5,934	0	0	0
State Grants	120,000	120,000	134,914	0	0	0
Charges for Services	10,000	10,000	6,783	0	0	0
Interest and Rents	10,500	10,500	13,342	300	300	1,488
Other Revenues	100	100	1,303	0	0	182
Total Revenues	187,608	187,608	215,608	30,300	30,300	34,864
<u>EXPENDITURES</u>						
Legislative						
Township Board	8,050	9,450	7,889	0	0	0
General Government						
Supervisor	9,820	10,420	9,017	0	0	0
Election	2,500	2,500	2,140	0	0	0
Assessor	30,100	30,100	24,061	0	0	0
Legal Fees	1,500	1,500	0	0	0	0
Clerk	19,150	20,150	18,042	0	0	0
Board of Review	1,400	1,400	826	0	0	0
Treasurer	30,850	32,450	34,212	0	0	0
Building & Grounds	12,450	12,450	8,995	0	0	0
Cemetery	2,850	2,850	1,907	0	0	0
Public Safety						
Fire Department	48,800	48,800	47,130	60,000	60,000	0
Public Works						
Street Lighting	1,200	1,200	995	0	0	0
Highways, Streets, Bridges	0	0	0	0	0	0
Culture and Recreation						
Parks Department	11,350	15,150	11,472	0	0	0
Other Functions						
Insurance & Bonds	33,200	33,200	22,821	0	0	0
Employee Benefits	7,000	7,000	6,159	0	0	0
Contingency	10,000	1,600	0	0	0	0
Total Expenditures	230,220	230,220	195,666	60,000	60,000	0
Excess (Deficiency) of Revenues Over Expenditures	(42,612)	(42,612)	19,942	(29,700)	(29,700)	34,864
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	5,000
Net Change in Fund Balance	(57,612)	(57,612)	4,942	(44,700)	(44,700)	39,864
<u>FUND BALANCE</u> - Beginning of Year (Deficit)	58,000	58,000	493,687	46,000	46,000	76,254
<u>FUND BALANCE</u> - End of Year	\$ 388	\$ 388	\$ 498,629	\$ 1,300	\$ 1,300	\$ 116,118

[illegible]



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINED BALANCE SHEET  
JUNE 30, 2008

		CEMETERY	LIQUOR LAW ENFORCEMENT	IMPROVEMENT REVOLVING		
		FUND	FUND	FUND	TOTAL	
<u>ASSETS</u>						
Cash		\$ 4,378	\$ 315	\$ 65,130	\$	69,823
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities		\$ 0	\$ 0	\$ 0	\$	0
Fund Balances						
Reserved for:						
Liquor Law Enforcement		0	315	0		315
Unreserved:						
Designated for:						
Cemetery		4,378	0	0		4,378
Public Improvements		0	0	65,130		65,130
TOTAL FUND BALANCES		4,378	315	65,130		69,823
TOTAL LIABILITIES AND FUND BALANCES		\$ 4,378	\$ 315	\$ 65,130	\$	69,823

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	IMPROVEMENT REVOLVING FUND	TOTAL
<u>REVENUES</u>				
State Grants	\$ 0	\$ 440	\$ 0	\$ 440
Charges for Services	1,250	0	0	1,250
Interest and Rents	10	0	1,071	1,081
Total Revenues	1,260	440	1,071	2,771
<u>EXPENDITURES</u>				
Public Safety	0	467	0	467
Excess (Deficiency) of Revenues Over Expenditures	1,260	(27)	1,071	2,304
<u>OTHER FINANCING SOURCES</u>				
Transfers In	0	0	10,000	10,000
Net Change in Fund Balance	1,260	(27)	11,071	12,304
<u>FUND BALANCES</u> - Beginning of Year	3,118	342	54,059	57,519
<u>FUND BALANCES</u> - End of Year	\$ 4,378	\$ 315	\$ 65,130	\$ 69,823

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2008

	BALANCE			BALANCE	
	7/1/2007	ADDITIONS	DEDUCTIONS	6/30/2008	
<u>ASSETS</u>					
Due from Other Governments	\$ 0	\$ 1,516	\$ 0	\$ 1,516	
<u>LIABILITIES</u>					
Cash (technical bank overdraft)	\$ 0	\$ 2,417,241	\$ 2,417,126	\$ 115	
Due to Other Organizations and Individuals	0	3,679	3,679	0	
Due to Other Funds	0	244,705	243,304	1,401	
Due to Other Governments	0	2,168,499	2,168,499	0	
Total Liabilities	\$ 0	\$ 4,834,124	\$ 4,832,608	\$ 1,516	

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

October 30, 2008

To the Township Board  
Selma Township  
Wexford County  
Cadillac, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Selma Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Selma Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control that we consider to be significant deficiencies.

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

October 30, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board  
Selma Township  
Wexford County  
Cadillac, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Selma Township for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Selma Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

### *Other Audit Findings or Issues*

During the course of our audit of the basic financial statements of Selma Township for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

#### Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the budget document that the Township adopts should include the following financial information:

The actual results from the prior year.

An estimate of the current year results.

The proposed budget for the upcoming year.

Amounts for contingencies, if appropriate.

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

#### Telecommunications Right of Way Revenues

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result, \$8,007 of the General Fund balance is reserved. We recommend that this money and all future revenues be put in the Road Fund for use on future construction projects.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*